would be effected by India in accordance with the schedule inforce for each of the relevant inter-Governmental credit agreements. The rupee payments in respect of principal and interest of this non-rescheduled portion of the debt would however, be protected by adjusting the rupee amount in line with future changes in the rupee value of the SDR basket of 5 currencies. The existing arrangement of using the credit repayments for export of Indian goods and services to Russia will continue?

Setting up of new banks in private sector

114. MISS SAROJ KHAPARDE:

SHRI ASHIS SEN:

Will the Minister of FINANCE be pleased to state:

(a) whether guidelines for the setting up of new private sector banks were issued during this year;

(b) if so, what are the details thereof;

(c) the number of proposals received so far by the Reserve Bank of India in the matter;

(d) the number of proposals cleared so far by the R.B.I.; and

(e) what are the reasons for non-clearing the remaining proposals and by when these will be cleared?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) Yes, Sir.

(b) The details of guidelines on entry of private sector banks are enclosed in the Statement (*See* below).

(c) Reserve Bank of India had received as on 30th June, 1993, 137 requests for setting up new banks.

(d) Reserve Bank of India have so far given 'in principle', approval to the Housing Development Finance Corporation Ltd. and Unit Trust of India to start new banks in the country.

(e) Out of 137 requests, only 11 were in the prescribed application form. Some of these were also deficient in many respects. RBI have, therefore, to correspond with the applicants for obtaining requisite information. In the light of the above, no time frame can be indicated for clearing these applications.

Statement

Guidelines on entry of new private sector banks

(a) Such a bank shall be registered as a public limited company under the Companies Act, 1956.

(b) The RBI may, on merits, grant a licence under the Banking Regulation Act, 1949 for such a bank. The bank may also be included in the Second Schedule of the Reserve Bank of India Act, 1934 at the appropriate time. The decision of the RBI in these matters shall be final.

(c) The bank will be governed by the provisions of the Banking Regulation Act, 1949 in regard to its authorised, subscribed and paid-up capital. The minimum paid-up capital for such a bank shall be Rs. 100 crores. The promoters' contribution for such a bank shall be determined by the RBI and will also be subject to other applicable regulations.

(d) The shares of the bank should be listed on stock exchanges.

(e) To avoid concentration of the headquaters of new banks in metropolitan cities and other overbanked areas, while granting a licence preference may be given to those the headquaters of which are proposed to be located in a centre which does not have the headquarters of any other bank.

(f) Voting rights of an individual shareholder shall be governed by the ceiling of 1 per cent of the total voting rights as stipulated by Section 12(2) of the Banking Regulation Act. However, exemption from this ceiling may be granted under Section 53 of the said Act. to public financial institutions.

(g) The new bank shall not be allowed to have as a director any person who is a director of any other banking company, or of companies which among themselves are entitled to exercise voting rights in excess of twenty per cent of the total voting rights of all the shareholders of the banking company, as laid down in the Banking Regulation Act, 1949.

(h) The bank will be governed by the provisions of the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and other relevant statutes, in regard to its management set-up, liquidity requirements and the scope of its activities. The directives instructions, guidelines and advices given by the RBI, shall be applicable to such a bank as in the case of other banks. It would be ensured that a new bank would concentrate on core banking activities initially.

(i) Such a bank shall be subject to prudential norms in respect of banking operations accounting policies and other policies as are laid down by RBI. The bank will have to achieve capital adequacy of 8 per cent of the risk weighted from the very beginning. Similarly norms for income recognition asset classification, and provisioning will also be applicable to it from the beginning. So will be the single borrower and group borrowers exposure limits that will be in force from time to time.

(j) The bank shall have to observe priority sector lending targets as applicable to other domestic banks. However, in recognition of the fact that new entrants may require some time to lend to all categories of the priority sector, some modification in the composition of the priority sector lending may be considered by the RBI for an initial period of three years.

(k) Such a bank will also have to comply with such directions of the RBI as are applicable to existing banks in the matter of export credit. As a facilitation of this it may be issued an authorised dealers licence to deal in foreign exchange, when applied for.

(l) A new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years after its establishment. The holding of such a bank in the equity of other companies shall be governed by the existing provisions applicable to other banks viz.—

(i) 30 per cent of the bank's or the invitee company's capital funds, whichever is less, as set out under the Banking Regulation Act, 1949; and

(ii) 1.5 per cent of the bank's incremental deposits during a year as per RBI guidelines.

The aggregate of such investments in the subsidiaries and Mutual Fund (if and when set-up) and portfolio investments in other companies shall not exceed 20 per cent of the bank's own paid-up capital and reserves.

(m) In regard to branch opening, it shall be governed by the existing policy that banks are free to open branches at various centres including urban/metropolitan centres without the prior approval of the RBI once they satisfy the capital adequacy and prudential accounting norms. However, to avoid over-concentration of their branches in metropolitan areas and cities, a new bank will be required to open rural and semi-urban branches also, as may be laid down by RBI.

(n) Such a bank shall have to lay down its loan policy within the overall policy guidelines of RBI. While doing so, it shall specifically provide prudential norms covering related party transactions.

(o) Such a bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications etc. in order to provide good customer service. The bank should have a high powered customer grievances cell to handle customer complaints.

(p) Such other conditions as RBI may prescribe from time to time.